

Message Text

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ACTION EB-11

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TO SECSTATE WASHDC 6475

LIMITED OFFICIAL USE BOGOTA 1968

E. O. 11652: DECONTROL MAR 1974

TAGS: EFIN CO

SUBJECT: GOC ANNOUNCES IMPORTANT FINANCIAL MEASURES

(A) BOGOTA A-38 (B) BOGOTA 1561 (C) BOGOTA 1938

1. SUMMARY- IN FIRST QTR 1973 GOC ANNOUNCED SEVERAL SIGNIFICANT ECONOMIC AND FINANCIAL MEASURES: INCLUDED WERE DECREE AIMED AT INCREASING TAX REVENUES AND FUNDAMENTALLY REORGANIZING CENTRAL GOVERNMENT BUDGETARY PROCESSES. MONETARY BOARD RESOLS. MODIFIED PRE- EXPORT FINANCING RULES AND LIBERALIZED IMPORT REGIME BY EXPANDING FREE LIST AND REDUCING PRIOR DEPOSIT REQUIREMENTS: AUTHORITIES ALSO RAISED COMMERCIAL BANK LEGAL RESERVE REQUIREMENT LARGELY IN ORDER TO OFFSET EXPANSIONARY MONETARY IMPACT OF PRIOR IMPORT DEPOSIT CHANGE. FINALLY GOC ANNOUNCED INVESTMENT REQUIREMENT FOR NEW SAVINGS AND LOAN CORPORATIONS WITH PROCEEDS TO BE UTILIZED BY THE CENTRAL BANK IN PART FOR LIQUIDATION CERTAIN GOC FOREIGN DEBTS. MEASURES IN GENERAL SEEN AS DESIGNED TO IMPROVE FISCAL SITUATION AND TAKE ADVANTAGE NATION' S CURRENTLY FAVORABLE FOREIGN EXCHANGE POSITION. END SUMMARY

2. IN MOVE TO RAISE ADDITIONAL REVENUES GOC RECENTLY ISSUED DECREE INCREASING (DOUBLING IN SOME CASES) RATES OF VARIOUS STAMP TAXES. JUSTIFICATION FOR INCREASE WAS AGREEMENT LATE LAST YEAR TO RAISE
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SALARIES IN GOVERNMENT'S JUDICIAL BRANCH FOLLOWING STRIKE BY THESE EMPLOYEES. HOWEVER, KNOWLEDGEABLE GOC OFFICIALS HAVE TOLD EMBOFFS

THAT ACTUAL TAX INCREASE IS SUBSTANTIALLY MORE THAN NECESSARY TO COVER HIGHER SALARIES AND WILL RESULT IN POSSIBLE 200 MILLION PESOS IN

NET NEW REVENUE IN 1973. MEASURE DID NOT REPEAT NOT REQUIRE LEGISLATIVE APPROVAL. AUTHORITY FOR EXECUTIVE DECISION TO ADJUST RATES APPARENTLY CONTAINED IN LAW 15 OF 1972. OTHER PENDING FISCAL MEASURES ARE EDUCATION TAX AND FISCAL INCENTIVES FOR STOCK MARKET WHICH ARE BOTH BEING CONSIDERED IN CURRENT SPECIAL SESSION OF CONGRESS.

3. GOC TOOK MAJOR STEP IN EARLY MARCH TOWARD IMPROVED PUBLIC SECTOR EXPENDITURE CONTROLS WITH ANNOUNCEMENT OF A DECREE (170 ARTICLES) ON BUDGET REFORM. MEASURE WAS FACILITATED BY PASSAGE OF LAW 17 IN 1972 WHICH PERMITS EXECUTIVE TO REVISE BUDGET CALCULATION AND PRESENTATION METHODS. REFORM DESIGNED TO INCLUDE FOLLOWING: (1) PRESENT CASH FLOW ESTIMATES ALONG WITH BUDGET ESTIMATES: (2) TIGHTEN CONTROL OVER EXPENDITURES, PARTICULARLY IN INVESTMENT CATEGORY: (3) PREPARE SEPARATE BUDGET FOR THE DECENTRALIZED AGENCIES (PREVIOUSLY PRESENTED AS AN ANNEX TO THE NATIONAL GOVERNMENT BUDGET); (4) ESTABLISH ORDERLY AND EXPEDITIOUS SYSTEMS FOR MATCHING OBLIGATIONS WITH APPROPRIATIONS AND FOR PAYING FOREIGN OBLIGATIONS THROUGH THE BOR: (5) PERMIT CARRY OVER FROM ONE YEAR ONLY OF REVENUES ESTIMATE
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